

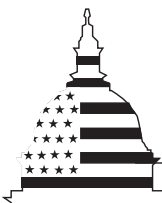
GAO

Report to the Chairman, Committee on  
Transportation and Infrastructure  
House of Representatives

March 2001

ENVIRONMENTAL  
PROTECTION

Information on EPA  
Project Grants and  
Use of Waiver  
Authority



G A O

Accountability \* Integrity \* Reliability

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<b>Abstract</b> In carrying out its mission to protect human health and safeguard the natural environment, the Environmental Protection Agency (EPA) awards grants to both public and private entities such as nonprofit organizations, colleges, and universities for a variety of environmental projects including research, education, and public outreach. 1 Individual grants fund specified activities for a fixed period of time, but may be amended to add more activities, time, or funding. According to EPA's automated grants information system, in fiscal year 1999, the agency awarded project grants totaling about \$716 million. EPA has recognized the oversight and management of grants as a material weakness in its Fiscal Year 1997 Integrity Act Report to the President and Congress. In addition, audits by the EPA's Office of Inspector General (OIG) have disclosed improper use of funds by grantees. Grants are governed by regulations promulgated by EPA to ensure consistency and compliance with authorizing statutes and governmentwide administrative policies. Among other things, the regulations address grantee reporting requirements and allowable uses of grant funds. EPA regulations provide the agency authority to deviate from certain regulations on a case-by-case basis. In fiscal year 1999, as part of its grant award process, EPA began identifying which of its Government Performance and Results Act goal(s), objective(s), and subobjective(s) each grant supported. 2		
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<b>Abbreviations</b>		
<b>EPA</b>	<b>Environmental Protection Agency</b>	
<b>OIG</b>	<b>Office of Inspector General</b>	
<b>STAR</b>	<b>Science to Achieve Results</b>	
<b>CFR</b>	<b>Code of Federal Regulations</b>	
<b>PRC</b>	<b>Program Results Code</b>	
<b>ORD</b>	<b>Office of Research and Development</b>	



United States General Accounting Office  
Washington, DC 20548

March 9, 2001

The Honorable Don Young  
Chairman, Committee on Transportation  
and Infrastructure  
House of Representatives

Dear Mr. Chairman

In carrying out its mission to protect human health and safeguard the natural environment, the Environmental Protection Agency (EPA) awards grants to both public and private entities—such as nonprofit organizations, colleges, and universities—for a variety of environmental projects including research, education, and public outreach.<sup>1</sup> Individual grants fund specified activities for a fixed period of time, but may be amended to add more activities, time, or funding. According to EPA's automated grants information system, in fiscal year 1999, the agency awarded project grants totaling about \$716 million. EPA has recognized the oversight and management of grants as a material weakness in its *Fiscal Year 1997 Integrity Act Report to the President and Congress*. In addition, audits by the EPA's Office of Inspector General (OIG) have disclosed improper use of funds by grantees. Grants are governed by regulations promulgated by EPA to ensure consistency and compliance with authorizing statutes and governmentwide administrative policies. Among other things, the regulations address grantee reporting requirements and allowable uses of grant funds. EPA regulations provide the agency authority to deviate from certain regulations on a case-by-case basis. In fiscal year 1999, as part of its grant award process, EPA began identifying which of its Government Performance and Results Act goal(s), objective(s), and subobjective(s) each grant supported.<sup>2</sup>

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<sup>1</sup>For the purpose of this report, the term grants include both grants and cooperative agreements. Grants provide organizations with financial assistance to carry out programs without substantial federal involvement. Cooperative agreements provide financial assistance with substantial federal involvement.

<sup>2</sup>The goals, objectives, and subobjectives are outlined in the strategic plan EPA prepared pursuant to the Government Performance and Results Act of 1993 (the Results Act). EPA and other agencies are required under the act to set goals for program performance and to measure results. EPA has 10 goals, each with several objectives and subobjectives.

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Because of your concern about EPA's management and oversight of project grants, you asked us to provide information on (1) the dollar amounts of project grants EPA awarded in fiscal years 1996 through 1999, and the program activities they funded, by grantee type; (2) how the activities funded by the project grants align with the Results Act goals and objectives identified by EPA; and (3) the extent to which EPA uses its authority to deviate from relevant regulations in awarding grants.

To determine the activities funded by project grants, we identified EPA project grants and analyzed automated information on grant dollar amounts and grantee type. To determine how project grants align with EPA's Results Act goals and objectives, we identified goals and objectives for all project grants awarded in fiscal years 1999 and 2000 from the automated data. From a universe of 4,717 grants, we selected a random sample of 100 grants awarded in fiscal year 1999 and fiscal year 2000. We reviewed supporting documentation for these grants and interviewed cognizant EPA officials to assess whether the funded activities were consistent with the activities of the goal(s) and objective(s) that EPA identified as being supported by the grant.

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## Results in Brief

In fiscal years 1996 through 1999, EPA awarded about 17,000 project grants totaling over \$2.8 billion. Five categories accounted for nearly 80 percent of all project grant funds:

- About \$852 million for general investigations, surveys, or studies involving air and water quality, hazardous waste, toxic substances, pesticides, the social consequences of pollution, and a variety of other topics.
- About \$691 million for research, such as research on air pollution and its impact on asthma.
- About \$409 million for studies and cleanups of specific hazardous waste sites.
- About \$199 million for nonprofit organizations for personnel over 55 years of age to provide technical assistance to EPA and state and local government organizations.
- About \$108 million in training activities, such as conferences for state and local officials charged with implementing EPA's air programs.

About 33 percent of these grants (in terms of total dollars) were awarded to nonprofit organizations; about 29 percent to state or local governments; and about 27 percent to colleges and universities. The remainder was awarded to Indian tribes, for-profit entities, foreign entities, and others.

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EPA identified about 82 percent of the \$1.4 billion project grants awarded in fiscal years 1999 and 2000 as supporting four strategic goals under the Results Act, specifically the goals concerning clean air, clean and safe water, waste management, and sound science.<sup>3</sup> Rather than awarding grants based on their relative contribution to achieving a strategic goal, objective, and subobjective, EPA generally determines which grants it will award and then identifies which goal, objective, and subobjective applies to the selected grant. The activities funded by 93 of the 100 grants we reviewed generally matched the activities associated with specific goal(s) that EPA identified for each grant. For the remaining seven grants, the activities funded by the grant, and their relationship to the goal(s), objective(s), or subobjective(s) that EPA identified was less clear. EPA officials explained that for six of these grants the definitions of the goals, objectives, and subobjectives were sufficiently broad to encompass the activities funded by the grants, and that the designated objective for one grant was incorrect.

EPA used its authority to deviate from regulations in awarding 25 of the 100 grants that we reviewed. For 19 of the grants, the deviations were made on a case-by-case basis to waive requirements relating to grant budget periods, matching fund requirements, or other regulations. The remaining six grants were made under EPA's largest on-going fellowship program, the Science to Achieve Results (STAR) program. In awarding these grants, which funded fellowships for grantees to study and perform research in scientific disciplines, EPA consistently deviated from fellowship regulations that limit the dollar amounts and time period covered by each grant. According to EPA officials, when the agency established the STAR program in 1995, it decided to exercise its authority to deviate from regulations for every STAR fellowship grant in order to avoid investing time and resources until the regulations could be amended. However, EPA has not subsequently amended its fellowship regulations and as a result, the regulations do not reflect the actual practice in the STAR fellowship grant program. While this may not affect the operation of the STAR fellowship program, we believe that the agency's regulations should be consistent with actual practices. Therefore, we are recommending that EPA include provisions in future amendments to its

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<sup>3</sup>EPA's grant records did not identify Results Act goals or objectives for about \$136 million awarded in fiscal years 1999 and 2000. Instead, the records either had no program codes or showed program codes that were in effect prior to 1999. According to EPA officials, grants with records showing the old program codes were funded with fiscal year 1998 appropriations.

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regulations that meet the needs of the STAR fellowship grant program. We provided a draft of this report to EPA for its review and comment. EPA agreed with the report's conclusions and recommendation.

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## Background

EPA relies heavily on grants to carry out its environmental mission; over one half of its \$7.6 billion budget for fiscal year 2000 was provided for grants. Grants are used (1) to financially support continuing environmental programs administered by state and local governments and (2) to fund other environmental projects. During fiscal year 1999, EPA awarded \$1.8 billion for continuing environmental programs and \$716 million for environmental projects—the subject of this report. Grants are funded by EPA's headquarters offices, such as the Office of Research and Development and Office of Air and Radiation, and by EPA regional offices. The administration of these grants (from activities prior to the award through the closeout of completed or inactive grants) has been delegated to EPA's Grants Administration Division, and 10 regional Grants Management Offices.

EPA carries out its' grant programs within the framework of the strategic goals and objectives contained in its strategic plan. The plan sets forth 10 goals with 41 objectives and 123 subobjectives that cover its major programs, such as those for clean air, clean water, and pesticides. For example, EPA's clean air goal has 4 objectives and 14 subobjectives. One of the four objectives is "Attain National Ambient Air Quality Standards for Ozone and Particulate Matter." This objective in turn has several subobjectives, including "National Ambient Air Quality Standards for Ozone."

Once potential grantees submit their grant applications, EPA officials review them. If the grant application is approved, the grantee is awarded the grant and funds are made available for the purposes specified in the grant. In connection with the grant award, EPA's program office officials determine how the grant will support a particular strategic goal, objective, and subobjective. In fiscal year 1999, EPA began coding new grant awards by "program result codes," which are aligned with goals, objectives, and subobjectives. Before 1999, EPA officials assigned "program element codes" to grant awards, which reflected the program and EPA office awarding the grant.

EPA awards grants to organizations and individuals under regulations that establish uniform administrative requirements throughout the agency. The regulations cover a range of grant activities—from those prior to the



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award through the closeout of completed or inactive grants—and a variety of topics, such as grantee reporting requirements and allowable uses of grant funds. Particular regulations cover grants to institutions of higher education, hospitals, and nonprofit organizations (40 C.F.R. part 30), as well as assistance to state, local, and Indian tribal governments (40 C.F.R. part 31). Other EPA regulations cover grants under specific programs, such as Superfund (40 C.F.R. part 35, subpart O), and specific types of assistance, such as fellowships (40 C.F.R. part 46). EPA regulations authorize the agency to deviate from certain regulations on a case-by-case basis. We previously reported that EPA used this deviation authority extensively to close out inactive grants without following certain closeout requirements.<sup>4</sup>

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## Project Grants Awarded in Fiscal Years 1996 Through 1999 Were Concentrated in Five Grant Categories and on Three Types of Recipients

EPA awarded about 17,000 project grants totaling \$2.8 billion in fiscal years 1996 through 1999. Project grant funds were concentrated in five categories—investigations, surveys or studies; research; Superfund site cleanup support; senior environmental employment program; and training, which accounted for \$2.3 billion, or 80 percent of all funds. The grants were also concentrated by the type of recipient: nonprofit organizations, state or local governments, and colleges or universities received approximately 89 percent of the total project grant amount.

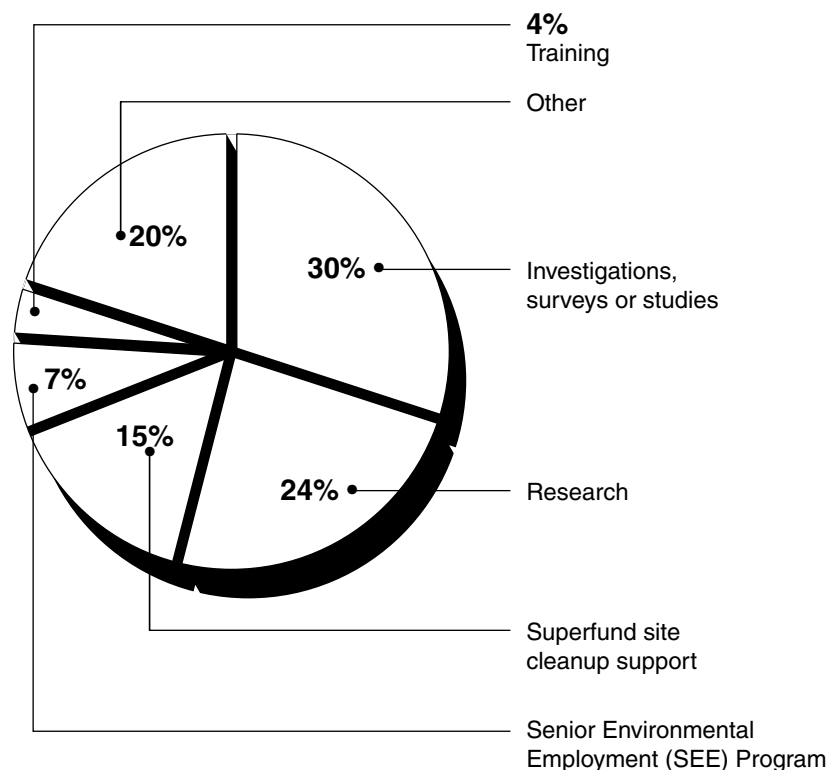
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<sup>4</sup>*Environmental Protection: EPA's Progress in Closing Completed Grants and Contracts*, (GAO/RCED-99-27, Nov. 20, 1998).

## Project Grants Were Concentrated in Five Categories

In fiscal year 1996 through fiscal year 1999, project grants focused on (1) investigations, surveys, or studies; (2) research; (3) Superfund site cleanup support; (4) the senior environmental employment program; and (5) training. The remaining project grants were awarded in 37 other EPA areas, such as the Hardship Grants Program for Rural Communities and the Great Lakes National Program. (See app. I for the number and value of all project grants, fiscal years 1996 through 1999). As shown in figure 1, grants for investigations, surveys, and studies accounted for the single largest category—about 30 percent of all grant dollars awarded. A brief description of these categories follows.

**Figure 1: Percentage of Funding for Project Grant Programs, Fiscal Years 1996-99.**



Source: GAO's analysis of EPA data.

- EPA awarded \$851.8 million in grants for investigations, surveys, or studies for fiscal years 1996 through 1999. These grants were provided for a wide range of activities supporting investigations, surveys, studies, and special purpose assistance in the areas of air and water quality, hazardous waste, toxic substances, and pesticides. These

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grants are also used for evaluating economic or social consequences related to environmental strategies and for other efforts to support EPA environmental programs. Finally, the grants are used to identify, develop, or demonstrate pollution control techniques or to prevent, reduce, or eliminate pollution. The following examples illustrate the variety of activities funded by these grants:

- In February 1999, EPA awarded a \$10,000 grant to Monitor International, a nonprofit organization located in Annapolis, Maryland, to develop a feasibility study and action plan for a science and education center in Indonesia.
- In August 1999, EPA awarded a \$1.5 million grant to the West Virginia University Research Corporation, National Research Center for Coal and Energy. With the grant funds the center was to provide technical assistance, outreach, a library of databases, maintenance of a Web site, and publications on the design, implementation, and maintenance of alternative wastewater treatment and collection systems for small communities.
- EPA awarded research project grants totaling \$690.9 million. Generally, these grants were to fund laboratory and other research into a variety of environmental problems, such as air pollution and its impact on asthma. For example, EPA awarded a \$4.6 million grant to the University of New Orleans in September 1999 for research and development on technical solutions to waste management problems faced by the academic, industrial, and governmental communities.
- EPA awarded about \$408.8 million in grants to states and other government entities and to nonprofit organizations to conduct cleanup activities at specific hazardous waste sites and to implement the requirements of the Superfund program. For example, in September 1999, EPA awarded a \$1.5 million grant to the Wisconsin Department of Natural Resources to complete an investigation and study at a waste site in order to select a cleanup remedy for controlling the risks to human health and the environment.
- The Senior Environmental Employment program, for which EPA makes grants authorized by the Environmental Programs Assistance Act of 1984, accounted for approximately \$199.1 million. Under this program, EPA awards cooperative agreements to organizations to enable individuals 55 or older to provide technical assistance to federal, state, or local environmental agencies for pollution prevention, abatement, and control projects. For example, in September 1999, EPA awarded a \$1.3 million grant to the National Older Worker Career Center to provide general support to EPA's staff within the Office of Pesticides Program.

- EPA awarded \$108.3 million in training grants to government, educational, and nonprofit entities, which provide environmental related training in a variety of topics. For example, EPA awarded a \$1.5 million grant in July 1999 to North Carolina State University to provide state-of-the-art training courses on the Clean Air Act Amendments.

## Project Grants Were Focused On Three Types of Recipients

Nonprofit organizations, state or local governments or colleges and universities received most project grant dollars awarded by EPA in fiscal years 1996 through 1999, as table 1 shows.

**Table 1: Project Grant Funds by Recipient for Five Major Programs, Fiscal Years 1996-99**

Dollars in millions						
Recipient type	Investigations	Research	Superfund site cleanup support	Senior Environmental Employment Program	Training	Total
Nonprofit organization	\$298.0	\$184.0	\$0.7	\$199.1	\$60.1	\$741.8
State or local government	231.9	24.6	397.4	0	8.3	662.3
College or university	97.4	470.2	0.6	0	35.5	603.7
For-profit organization	170.5	0.8	0	0	0	171.4
Indian tribe	29.8	0	10.1	0	1.0	40.8
Foreign recipient	12.4	7.0	0	0	0	19.4
Others	11.9	4.3	0	0	3.5	19.6
<b>Total</b>	<b>\$851.8</b>	<b>\$690.9</b>	<b>\$408.8</b>	<b>\$199.1</b>	<b>\$108.3</b>	<b>\$2,259.0</b>

Note: Totals may not add because of rounding.

Source: GAO's analysis of EPA data.

Nonprofit organizations received the largest portion of project grant dollars (\$741.8 million, or 33 percent of the total), and the majority of these funds were provided to support investigations, the senior environmental employment program, and research. State or local governments received the next largest amount, with most of these funds provided for Superfund site cleanup support or for investigations. Colleges and universities also received a significant amount of project grant funds, the majority of which was for research. For-profit organizations, individuals, and other government entities, such as water district authorities, also received project grant funds.

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## Project Grants Reviewed Generally Align With EPA's Identified Results Act Goals

In October 1998, EPA began designating grant awards to indicate which Results Act goal, objective, and subobjective each grant supported. EPA intended to account for all new obligations by using a program results code (PRC) that aligned with the agency's strategic goals, objectives, and subobjective. (Previously, EPA accounted for grant funds by using program element codes, which identified the program and EPA office that awarded the grant.) PRCs allows EPA to account for its grant award amounts by goal, objective, and subobjective. EPA project officers assign codes to the grant after deciding which grants to award. Approximately 82 percent of the \$1.4 billion in project grants EPA awarded in fiscal years 1999 and 2000 that were assigned a PRC concentrated in 4 of EPA's 10 goals: clean air, clean and safe water, waste management, and sound science.<sup>5</sup> For 7 of the 100 grants we reviewed, the relationship between the activities funded by the grant and the goal(s), objective(s), and subobjective(s) that EPA identified was not clear. EPA officials explained that for six of these grants the definitions of the goals, objectives, and subobjectives were sufficiently broad to encompass the activities funded by the grants, and agreed that one grant had been designated the incorrect subobjective.

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## Results Act Goals Are Designated After Decisions to Award Grants Are Made

The grant award process involves several steps before funds are provided to the grantee. EPA may solicit grant proposals from potential grantees, or grantees may submit unsolicited grant proposals to EPA. In either situation, the grant proposal details the grant's purpose, amount, and time frame. EPA officials review the grant proposals and frequently discuss them with the submitting entity—a process that may result in modifications to the scope of activities, funding amount, or time period.

Once EPA reaches a final decision to fund a grantee, it provides the grantee a commitment letter. In preparing the final grant award document, EPA makes several determinations regarding the authority for the grant activities, the funding authority for the grant, and the PRC code specifying the relevant Results Act goal, objective, and subobjective. The PRC code is entered into EPA's automated systems to record the obligation of funds under the goals. Because some grants fund a variety of activities, more than one PRC code may be designated for a particular grant. According to

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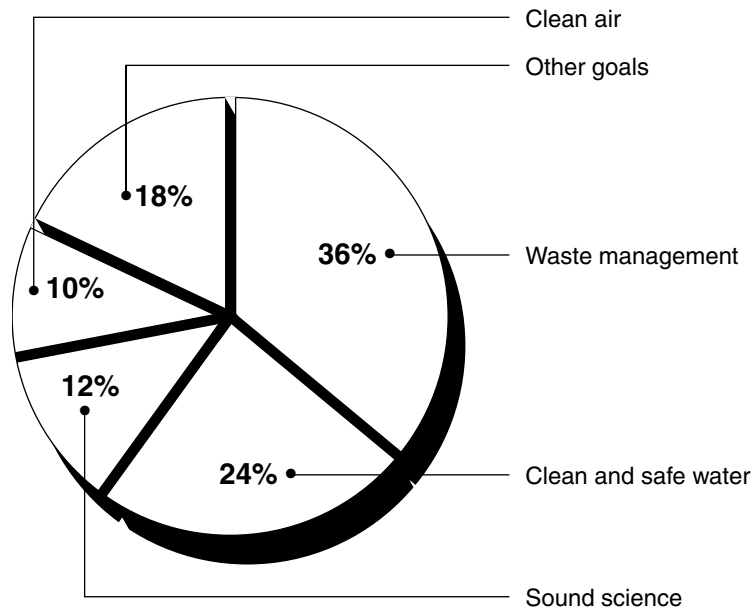
<sup>5</sup>EPA did not assign a PRC to grants totaling \$136 million (or 10 percent of the total project grants awarded in fiscal years 1999 and 2000). EPA instead used the prior program codes or no codes at all because the grants were awarded using funds appropriated in fiscal year 1998.

EPA officials, the designation of a PRC identifying the goal, objectives, and subobjective to be supported by the grant is part of the grant award. In practice, EPA designates Results Act goal(s), objective(s), and subobjective(s) after the decision has been made to award a particular grant.

## Most Project Grants Aligned With One of Four Results Act Goals

EPA assigned PRCs to approximately \$1.2 billion of the project grants made in fiscal years 1999 and 2000. Most of these funds aligned with the agency goals for waste management (\$438.7 million), clean and safe water (\$298.1 million), sound science (\$146.8 million), and clean air (\$119.2 million). Figure 2 shows the distribution of these grant dollars among Results Act goals for fiscal years 1999 and 2000.

**Figure 2: Percentage of Funding for Project Grants by Results Act Goals, Fiscal Years 1999-2000**



Source: GAO's analysis of EPA data.

The remaining \$222 million in project grant funds assigned PRC codes were aligned with one of EPA's six other strategic goals—safe food; preventing pollution and reducing risk in communities, homes, workplaces and ecosystems; reduction of global and cross-border environmental risks; expansion of Americans' right to know about their environment; a credible

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deterrent to pollution and greater compliance with the law; and effective management.

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### Few Grants Funded Activities That Were Not Clearly Linked to Identified Goals

For 7 of the 100 grants that we reviewed, the funded grant activities did not appear to match the EPA activities defined for the assigned PRC code. More specifically, two of the grants were not clearly related to any EPA goals, objectives, or subobjectives; three grants were clearly related to the indicated goals, but not the objectives and subobjectives; and two grants were related to the indicated goals and objectives, but not the subobjectives. A brief description of these grants follows.

- In June 1999, EPA awarded a \$2.5 million grant to the Brownsville Public Utilities Board in Texas to support specific planning, engineering, environmental, and legal activities related to the development and construction of a dam and reservoir project. The PRC indicated that the grant was to support the Results Act subobjective of working with states and tribes to ensure reporting consistency under the Clean Water Act and Safe Drinking Water Act.
- In June 1999, EPA awarded a \$2 million grant to the University of Missouri to conduct research on the economic, social, biological, physical, and ecological benefits of tree farming. The PRC indicated that the grant was to support the Results Act objective of promoting and implementing sector-based environmental management approaches that achieve superior environmental results at less cost than through conventional approaches.
- In August 1999, EPA awarded a \$20,000 grant to the Urban Land Institute to conduct a conference on smart growth that was coded for Clean and Safe Water goal activities, such as watershed assessment and protection, coastal and marine protection, water quality criteria and standards, or Chesapeake Bay and Gulf of Mexico activities.
- In January 2000, EPA awarded a \$228,000 grant to Michigan State University to examine public opinions regarding the value of wetland ecosystems. The PRC indicated that the grant was to support the Results Act subobjective of cleaning up contaminants that are associated with high-priority human health and environmental problems.
- In May 2000, EPA awarded a \$64,000 grant to Science Services, a nonprofit organization located in Washington, D. C., for hosting an international science and engineering fair for high school students competing for monetary science awards. The PRC indicated that the

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grant was to support the Results Act goal of supporting research in global climate change.

- In June 2000, EPA awarded a \$8,000 grant to Environmental Learning for Kids, Denver, Colorado to educate culturally diverse families about environmental issues; activities included overnight camping trips, and monthly outdoor workshops. The PRC indicated that the grant was to support the Results Act objective for activities related to providing training to teachers for making presentations to grades K-12.
- In June 2000, EPA awarded a \$5,000 grant to Southwest Youth Corps in Colorado to support the organization and management of the Conservation Corps. The primary purpose of this grant was to train young adults on environmental issues. The PRC indicated that the grant was to support the Results Act objective of providing activities related to training teachers on making presentations to grades K-12.

EPA officials explained that the project officer had assigned an incorrect subobjective to the grant EPA awarded to Michigan State University to examine public opinion on the value of wetland ecosystems. EPA believes that the definitions of the goals, objectives, and subobjectives for the other six grants were sufficiently broad to encompass the activities funded by the grants. According to EPA officials, it would be impossible, when defining Results Act goals, objectives, and subobjectives, to list every activity that could apply. However, they stated that it was important to designate the correct PRC for grant activities.

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## EPA Frequently Used Its Authority to Deviate From Relevant Regulations

EPA approved at least one deviation from its regulations for 25 of the 100 grants we reviewed, and for 15 grants EPA authorized more than one deviation. Most of the deviations were made on a case-by-case basis to waive requirements relating to grant budget periods, matching fund requirements, or other regulations. Individual deviation decision memoranda contained in the grant files documented these decisions. Deviations from regulations for 6 grants, made under EPA's Science to Achieve Results (STAR) program, were not determined on a case-by-case basis. The STAR fellowship grant program, which is administered by EPA's Office of Research and Development (ORD), by design provides grants with greater dollar amounts and longer time periods than allowed by EPA's regulations. According to an EPA official, the STAR program, which began in 1995, is EPA's largest fellowship program in terms of dollars and number of fellowships. According to ORD officials, the program was designed to be consistent with other federal fellowship programs for scientists.



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STAR fellowship grants deviate from EPA's grant regulations governing fellowships in three ways:

- While the regulations place a limit of \$750 on grant funds that can be used to purchase books and supplies, STAR fellowship grants provide up to \$5,000 for this purpose.
- The regulations limit fellowships to 1 year, while STAR fellowships provide up to two years for master degree students and up to 3 years for doctoral students.
- The regulations stipulate that grant funds may be used for purchasing books and supplies if provided directly to the student; however, STAR fellowship grants funds are used to directly pay the educational institution for these items.

EPA does not track the number of deviations it makes. However, regulations require that the authority for each deviation must be documented in the appropriate grant file. The agency awarded 471 STAR fellowship grants in fiscal years 1996 through 1999, totaling \$34.1 million in funding. EPA prepared and processed a request for deviation for each of these grants.

ORD officials stated that they wanted the STAR fellowship program to parallel a National Science Foundation fellowship program, which authorizes greater funding levels and longer funding periods than allowed by EPA's regulations. They also stated that they thought providing payments for books and supplies directly to an institution would provide better stewardship and control over the funds and ensure funds were used for authorized purposes. The officials stated that, rather than amending the regulations solely for the STAR program, which it considered time-consuming and a low priority, they opted to use deviations in awarding the grants and currently do not have staff in place to work on amending the regulations. They acknowledged, however, that the regulations are outdated and should be reviewed for possible revision.

The other deviations we reviewed had been made on a case-by-case basis:

- Eleven of these deviations involved EPA waiving a requirement that the grant budget date and the project period ending date coincide. For example, in January 1999, EPA amended a grant awarded in March 1997 to the Northeast States for Coordinated Air Use Management to provide an additional \$200,000 for research in establishing an ambient air monitoring network for mercury deposition within New England. The project period and the budget period ending dates were changed

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from March 1999 to March 2001, deviating from EPA's regulations that require the budget period not exceed 2 years from the award date. EPA approved the deviation, allowing the grantee to expand the number of sampling sites to obtain a better measurement of the pollution problem.

- EPA made nine deviations that waived the grantee matching funding requirement for the grant. For example, in September 1999, EPA awarded a \$4.6 million grant to the University of New Orleans to fund the University Urban Waste Management and Research Center, which provides research and technical assistance to cities with wet weather conditions typical of coastal areas. EPA waived the minimum 5-percent nonfederal matching share requirement for the university. However, this deviation proved unnecessary because the regulation requiring matching funds had been repealed in 1996. Unaware of the change in regulations, EPA officials continued to grant deviations for a matching fund requirement well into fiscal year 2000.

Appendix II details the deviations EPA made for the grants we reviewed, aside from those associated with the STAR fellowship program.

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## Conclusions

EPA has extensively used its deviation authority for STAR fellowship grants, citing the time and resources that would be needed to amend its regulations. While amending the grant regulations would entail a time and resource cost in the short-term, EPA's regulations are intended to provide consistency and transparency for the agency's grant activities and should reasonably reflect actual practices in the agency's grant programs. In this case, the regulations do not reflect the actual practice in the STAR fellowship grant program—EPA's largest fellowship grant program—which routinely awards more money for longer periods of time than is authorized by EPA's fellowship regulations. Consistency between regulations and practice could be achieved by amending either EPA's grant regulations or the practices of the STAR fellowship program.

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## Recommendation

To ensure that EPA's fellowship regulations are consistent with the actual practices, we recommend that the Administrator of EPA direct the Assistant Administrator for Administration and Resources Management to include in future amendments to its fellowship regulations the funding amounts, time periods, and payment methods that will meet the needs of the STAR fellowship grant program.

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## Agency Comments

We provided EPA with a draft of this report for review and comment. The agency agreed with the findings in the report and suggested several changes to improve clarity, which we incorporated into the report, where appropriate. EPA agreed with our recommendation to update the fellowship regulation and plans to establish a workgroup to ensure that the regulation reflects the current requirements of the STAR fellowship program.

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We conducted our review from May 2000 through March 2001 in accordance with generally accepted auditing standards. Our scope and methodology are presented in appendix III.

We are sending copies of this report to appropriate congressional committees; interested Members of Congress; the Honorable Christine Todd-Whitman, Administrator, Environmental Protection Agency, and other interested parties. We will also make copies available to others on request.

Should you or your staff need further information, please call me at (202) 512-3841. Key contributors to this report were E. Odell Pace, Jill A. Roth, John A. Wanska, and Richard P. Johnson.

Sincerely yours,



David G. Wood  
Director, Natural Resources and  
Environment

# Appendix I: Number and Value of Project Grants, Fiscal Years 1996-99

Dollars in millions

Program Description	Number of grants	Award amounts
Investigations, Surveys or Studies Considered Neither Research, Demonstration, Nor Training	5,414	\$851.8
Research	2,418	690.9
Hazardous Substances Response Trust Fund	940	408.8
Senior Environmental Employment (SEE) Program	1,363	199.1
Training	719	108.3
Core Program Cooperative Agreements	209	71.0
Consolidated Continuing Environmental Program Support	106	62.1
Chesapeake Bay Program	144	59.4
Brownfields Pilots Cooperative Agreements	286	54.0
Hardship Grants Program for Rural Communities	56	50.0
Brownfields Revolving Loan Fund Pilots	76	39.6
National Estuary Program Cooperative Agreements	134	37.3
Fellowships	1,495	34.6
Environmental Equity Program	658	32.4
Great Lakes National Program Grants	233	23.9
Solid Waste Management Assistance: Training, Education, Studies, and Demonstrations	438	21.4
Regional Multi-Media Initiatives Program	383	14.2
Environmental Education Grants	946	11.0
Sustainable Development Challenge Grants	92	9.7
One Stop Reporting Program	23	9.2
Demonstration	43	7.4
Environmental Education and Training Program	4	6.9
Non-point Source Reservation Program (section 205(j)(5))	129	5.9
Gulf of Mexico Program Grants	58	4.5
Brownfields Training	21	4.1
Near Coastal Waters	21	3.9
Environmental Justice Pollution Prevention Grants Program	45	3.4
Senior Environmental Employment (SEE) Program for Other Federal Agencies	10	2.7
Lake Champlain Management Conference	5	2.4
National and Community Service Trust Program	7	1.4
Public/Private Partnership Grants	15	1.2
Assistance for Promoting Protection of Children from Environmental Threats	12	0.9
State/EPA Data Management Financial Assistance Program	12	0.8
Superfund Redevelopment Initiatives	8	0.8
PCB State Enhancement Grant Program	9	0.7
State and Tribal Grants for Environmental Justice	9	0.7
Environmental Justice Assistance	5	0.6
Shallow Injection Well Initiatives	14	0.3
U. S. Mexico Border Grants Program	6	0.2
Chemical Preparedness and Prevention Grants	13	0.2
Municipal Water Pollution Prevention Grants	5	0.2

**Appendix I: Number and Value of Project  
Grants, Fiscal Years 1996-99**

Dollars in millions

<b>Program Description</b>	<b>Number of grants</b>	<b>Award amounts</b>
Wellhead Protection Demonstration Projects	6	0.1
<b>Totals</b>	<b>16,590</b>	<b>\$2,838.3</b>

Note: Total award amounts do not add because of rounding.

# Appendix II: Listing of Deviations on Other Than STAR Fellowship Grants

Regulation deviated from	Allowed deviation	Number of grants
40 CFR 40.125-1(a)	Research grantees were allowed to have the budget period of the grants coincide with the project period end date. In some cases, this deviation allowed an extension beyond EPA's regulatory limits.	11
40 CFR 30.307 (repealed in 1996)	State and local grantees were not required to provide 5% in non-federal matching funds.	9
40 CFR 31.23 (a)	Grantees were allowed to incur cost prior to the award of the grants.	3
40 CFR Parts 30 and 40	Grantees were allowed to deviate from numerous requirements.	2
40 CFR 31.30 (d) (1)	Grantee was allowed to change the scope or objective of the project without prior EPA approval.	1
40 CFR 35.6055(a)(2)(1)	Grantee was not required to submit a list of sites at which it planned to take remedial action.	1
40 CFR 35.6230(b) and 40 CFR 35.6250(a)	Grantee was not required to submit a non-site specific budget for the support activities funded.	1
40 CFR 35.6650(b)(2), (3), and (4)	Grantee was not required to include a comparison of the (1) percentages of the project completed to the project schedule; (2) estimated funds spent to date to planned expenditures; and (3) comparison of the estimated time and funds needed to complete the work to the time and funds remaining.	1
40 CFR 30.306 (a) (1995)	Grantee was allowed to have the budget period of the grant coincide with the project period.	1
40 CFR 30.503(e) (1995)	Grantee was not required to submit a quality assurance plan.	1
<b>Total deviations</b>		<b>31</b>

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# Appendix III: Scope and Methodology

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To determine the activities funded by project grants, we identified EPA project grants and then analyzed automated information, taken from EPA's Grants Information Control System on grant dollar amounts and grantee type, which we obtained from EPA's Office of Inspector General. To determine how project grants align with EPA's Results Act goals and objectives, we identified goals and objectives for all project grants awarded in fiscal years 1999 and 2000 from the automated data. We interviewed EPA headquarters and regional officials, including individual project grant officers, regarding how goals and objectives are identified in EPA's grant award process. From a universe of 4,717 grants awarded in fiscal years 1999 and 2000, we selected a random sample of 100 grants. We reviewed supporting documentation for these grants and interviewed cognizant EPA officials to assess whether the funded activities were consistent with the activities for the goal(s) and objective(s) that EPA identified as being supported by the grant. To determine the extent EPA used its authority to deviate from regulations, we reviewed the same 100 randomly selected grants. In cases where deviations occurred, we obtained additional information regarding the reasons for the deviation. We interviewed EPA officials to determine the circumstances and frequency for using deviations in general and for the specific grants we selected.

# Appendix IV: Comments From the Environmental Protection Agency



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

MAR 5 2001

OFFICE OF  
ADMINISTRATION  
AND RESOURCES  
MANAGEMENT

Mr. David G. Wood  
Director, Natural Resources and Environment  
U. S. General Accounting Office  
Washington, DC 20548

Dear Mr. Wood:

Thank you for the opportunity to comment on the U.S. General Accounting Office (GAO) draft report "*Environmental Protection: Information on EPA Project Grants and Use of Waiver Authority (GAO-01-359)*." This response was coordinated with EPA's Office of Research and Development and Office of the Chief Financial Officer.

We agree with your recommendation to update the fellowship regulation and plan to establish a workgroup to ensure that the regulation reflects the current requirements of the STAR fellowship program.

Our comments on the draft report are enclosed. Thank you for the professional, courteous manner in which you and your staff conducted this review.

Sincerely,

A handwritten signature in dark ink, appearing to read "Howard F. Corcoran".

Howard F. Corcoran  
Director  
Office of Grants and Debarment

Enclosure

cc: David J. O'Connor  
Jane Moore  
Marty Monell  
Linda Ross  
Ron Bachand  
Bill Cooke



EPA Comments on GAO Draft Report (GAO-01-359, Code 160527)  
“Environmental Protection: Information on EPA Project Grants and Use of Waiver Authority”

1. **Page 3, 2<sup>nd</sup> paragraph.** The report states that “[a]ccording to EPA officials, when establishing the STAR program in 1995, the agency decided to exercise its authority to deviate from regulations for every STAR fellowship grant **in order to avoid investing time and resources in changing the regulations.**” The Agency did recognize the need to update the fellowship regulation and initially formed a workgroup to update the regulation. However, due to conflicting priorities, the workgroup was unable to complete the task. We therefore suggest that you revise the bolded text to read: **“until the regulation could be amended.”**

Also, the very last sentence should read “*Therefore, we are recommending that ....*”

2. **Page 9, footnote 5.** Footnote 5 states that EPA used either prior program codes or no codes at all in awarding \$136 million in grants funded with FY 1998 appropriations. We would like to review GAO’s supporting documentation, since Agency policy requires that every obligation have either a program element number or a program results code.
3. **Page 4, 1<sup>st</sup> paragraph.** The last sentence states that grants administration “.... has been delegated to EPA’s Grants Administration Division, which has 10 regional Grants Management Offices and a headquarters unit.” While the Grants Administration Division is the National Program Manager for grants administration, the Regional Grants Management Offices are not part of the Grants Administration Division. We therefore suggest that the sentence be revised as follows: **“....has been delegated to EPA’s Grants Administration Division and 10 Regional Grants Management Offices.”**
4. **Page 12, 1<sup>st</sup> paragraph under bullets.** We recommend that you delete the third sentence: “*They further explained that in reporting EPA’s activities under the Results Act, they use only the goals and objectives but not the subobjectives and therefore incorrect subobjectives would not impact reported data.*” EPA prepares the budget at the goal and objective level. However, as provided in Office of Comptroller Policy Announcement No. 98-10, *Accounting for Resources Under the Government Performance and Results Act*, every dollar that the Agency receives is accounted for using the appropriate sub-objective. Incorrect sub-objectives could affect both internal and external reporting.



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